

## **Migrant workers in Asia: Potential takers for mobile payments?**

*In January, the Central Bank announced that operating guidelines for mobile payments will be issued this year. This is a research based contribution to the formulation of those guidelines.*

### ***Foreign exchange earners***

Nearly 10 percent of Sri Lanka's population comprises migrant workers; the number of recorded migrant workers leaving Sri Lanka has consistently grown from 18,428 in 1988 to 1.8 million in 2008 according to the Central Bank. In 2008, these citizens sent home more than USD2.9 billion (up 17 percent from the previous year), financing half of the country's trade deficit, according to CBSL. With increasing wages, increasing migration to higher-wage countries, and increasing migrant departures, remittances are expected to grow in coming years.

Given the significant role they play in supporting the economy, attention needs to be paid to migrant workers' needs, particularly how they send their hard-earned dollars back home. Telecom currently plays a significant role in this process; but it has significant potential to play an even bigger role, if the right services are offered at the right price and they cater to the needs of these mostly bottom of the pyramid (BOP) citizens.

A recent LIRNEasia study on Teleuse at the Bottom of the Pyramid explored communication needs among one hundred and six recently returned Sri Lankan migrant workers belonging to the lowest socioeconomic segments. The study sought answers to questions such as how do they communicate home, how they send money home, etc.

### ***Keeping in touch***

Over half the Sri Lankan recent migrants surveyed (54 percent) owned a mobile in their host country; though many also communicated through letters and SMS, phone calls were their primary means of keeping in touch. This was their primary communication need, unless their job type required calling clients or coordinating deliveries, for example. Those that did not own mobiles used public phones, shared phones where they lived or in their workplace. Sri Lankan migrants spent on average of USD38 to keep in touch with home, a fairly high number, compared to USD15 by Indian migrants. This suggests that incoming calls to Sri Lanka are still artificially high in price, comparing poorly with the low prices in outgoing calls.

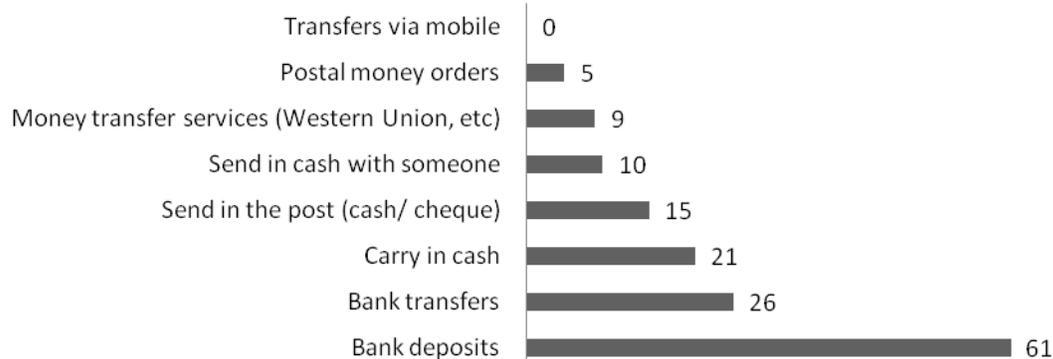
### ***Sending money home***

On average, Sri Lankan migrants sent home USD137 per month; most sent money home either every two-to-three months (48 percent) or once a month (37 percent). The most common method of remittance (across the five countries studied) was through the banking system – either depositing money straight into family accounts (61 percent), or through wire transfers (26 percent). Other than bank methods, some either carried money home in cash, or sent cash or cheques in the post (all used by less than 25 percent of migrants).

### Methods of remittance

(% of overseas Sri Lankan migrants surveyed)

Source: LIRNEasia Teleuse@BOP3, 2009



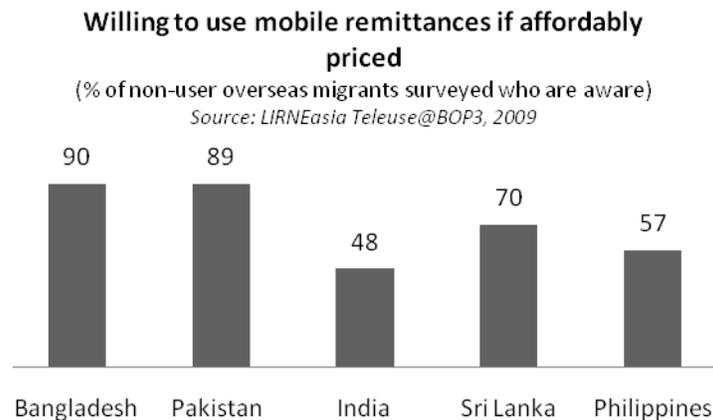
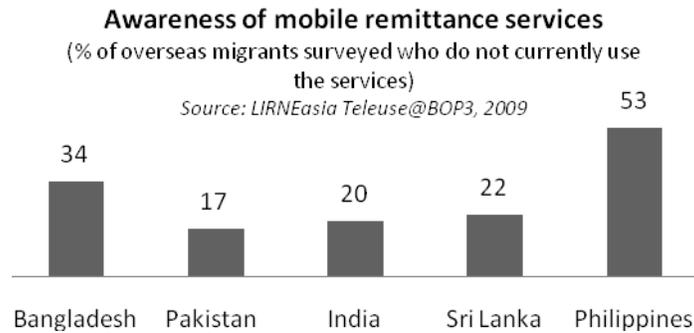
Sending money through banks was seen to be cheap and reliable. Eighty four percent of Sri Lankan migrants had bank accounts; often migrants also open bank accounts for their family in order to remit money. Drawbacks are that a visit to the bank is necessary (though some migrants befriend bank workers –often countrymen– who facilitate transfers without the migrant needing to visit), both by the migrant as well as her family.

Though remittances are rarely made through mobile-payment facilities (owing to the current lack of cross-border services in Sri Lanka), mobiles play a key role in the coordination of remittances. Phone calls and SMSs are commonly exchanged when the migrant has sent the money, as well as when her family receives it; transaction codes are often sent via SMS.

#### Mobile payments for remittances?

Mobile payment facilities have great potential for remittances. A majority of migrants had mobiles in their host countries; usually before departure, they ensured that their families had a phone (usually a mobile, but in the case of Sri Lanka sometimes a CDMA phone) too. As regular remitters, these constitute a key market for mobile payment facilities (similar applications can probably also be deployed on CDMA networks).

Many migrants are aware of such facilities: 22 percent. When asked about transferring money through mobiles the majority (70 percent) of those aware said they would be willing to do so if such services are affordably priced. Migrant workers are not willing to pay large service charges and commissions to transfer remittances. As mobile operators across the region develop mobile payment services, other key issues which they need to keep in mind are trustworthiness and user-friendliness.



### **Trust issues?**

Trust is a key factor in conducting commercial transactions; for mobile transactions to take place, the user's trust is required on multiple levels: trust in the technology, trust in the service provider (mobile operators, banks, content providers, etc), and trust in the party that is being transacted with. The research shows that trust in the technology is not a problem at the BOP, with some even preferring to conduct business via SMS because of text (rather than verbal) confirmations; similarly, remitters were comfortable with sending transaction codes via SMS. Nevertheless the research shows that the credibility of the service provider is key; many would prefer to have an established organization like a bank mediating potential mobile money transfers (as opposed to an unmediated situation, where they could be played out by the other party).

Low levels of confidence, stemming from low levels of English literacy and education also appear to be a barrier (in the minds of BOP users) to the use of mobile services. What this means is that operators need to ensure that applications are simple to use, even if in English. Learning from the experience of CellBazaar (a mobile classifieds service in Bangladesh, where buyers and sellers can post and view ads from their mobile) English language services can in fact be made accessible even to the BOP. The CellBazaar experience shows that if they are simple enough that a user need only recognize a few key words in English to navigate the system, the service will be widely used. The challenge for mobile

operators is to make a remittance service as simple as handing over the money and a slip with handwritten transfer details to a bank clerk.

### ***Central Bank policy***

Given the significance of remittances sent home by migrant workers mobile operators need to ensure that mobile payment services that are developed are accessible to the BOP. However, without clear guidelines, mobile operators cannot develop, test and deploy such services to cater to this important market. Without such services, like their Bangladeshi peers Sri Lankan migrants may resort to “illegal” money transfers through electronic load sharing. Once these practices get entrenched shifting them to new systems may prove difficult.

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### ***Further information***

“Teleuse at the bottom of the pyramid” (Teleuse@BOP) is a series of multi-country studies of how the lowest socioeconomic groups or bottom of the pyramid (BOP) make use of telecom and other ICTs in their lives. Teleuse@BOP3, the third of these studies was conducted between 2008 and 2009. The 2008 study included a survey of BOP overseas and domestic migrant workers from six countries in emerging Asia (India, Pakistan, Bangladesh, the Philippines, Thailand and Sri Lanka). Over 1,500 migrant workers were surveyed in late 2008, using purposive and snowballing sampling methods. In-depth qualitative research with similar migrant workers as well as their families was conducted in the six countries in early 2009. For more information contact [ayesha@lirneasia.net](mailto:ayesha@lirneasia.net)

LIRNEasia is a regional ICT policy and regulation think tank active across the Asia Pacific. Its mission is to “improve the lives of the people of the emerging Asia-Pacific by facilitating their use of ICTs and related infrastructures; by catalyzing the reform of laws, policies and regulations to enable those uses through the conduct of policy-relevant research, training and advocacy with emphasis on building in-situ expertise.” Additional information is available at <http://www.lirneasia.net>.